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CALIFORNIA ARTS COMMISSION

MARCH 1974

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Joint Legislative Audit Committee

GOVERNMENT CODE: SECTIONS 10500-10505

California Legislature

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March 27, 1974

The Honorable President of the Senate  
The Honorable Speaker of the Assembly  
The Honorable Members of the Senate and the  
Assembly of the Legislature of California

Members:

Transmitted herewith is the Auditor General's report pertaining to the operations of the California Arts Commission. The commission was established by the Legislature in 1963 and consists of 19 members, 15 of which are appointed by the Governor. Four members, two Assemblymen and two Senators, are appointed by their respective houses.

In fiscal year 1972-73, the commission applied for and received only one National Endowment for the Arts (NEA), Federal-State Partnership grant in the amount of \$127,250, as well as two NEA initiated grants totaling to \$66,635. Similar grants were received in fiscal year 1973-74.

In fiscal year 1972-73 alone, NEA awarded other grants throughout the United States amounting to \$27.8 million which the commission could have applied for. However, no applications for these additional available federal NEA grant monies were made by the commission in either fiscal years 1972-73 or 1973-74. In fact, the commission advised artistic groups in the state seeking federal funds to request them from NEA in their own name without commission assistance.

The Auditor General believes that the commission has a clear-cut responsibility to aggressively pursue all available federal grant monies and has not fulfilled this responsibility. It is conceivable that more aggressive action on the part of the commission might have resulted in over \$800,000 of additional federal grants in fiscal year 1972-73.

The Auditor General has recommended that the commission's previously deleted position of Assistant Arts Advisor, whose annual salary and fringe benefits are estimated at less than \$15,000, be requested and filled in order that a more aggressive policy in applying for federal grant monies can be effected immediately.

The Honorable Members of the Legislature  
of California  
March 27, 1974  
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While the commission reported to the Legislature that \$832,744 in private non-cash contributions had been received in fiscal year 1972-73, the value of these items was never recorded in the commission's accounting records. Further, there is no documentation as to how the value of these items, such as transportation of art objects, facilities for art exhibitions, and services of volunteers, were determined.

Since the value of these private non-cash contributions can serve as state matching funds to obtain federal grants, the Auditor General believes it is mandatory, and has therefore recommended that the commission's accounting records properly reflect these items and document the basis for valuing them.

While the commission's accounting system reflects expenditures on a line-item basis, the records do not reflect expenditures by specific projects. Since the state must, in many instances, provide matching funds to obtain additional federal grants, the failure to account for such matching expenditures on a project basis could result in the loss of future federal grants. Therefore, the Auditor General has recommended that the commission account for its expenditures by specific projects.

The Auditor General has examined the accounts and related financial records of the California Arts Commission for fiscal year 1972-73. In his opinion, based on an examination made in accordance with generally accepted auditing standards and necessary auditing procedures, the Statement of Receipts and Expenditures was presented fairly in fiscal year 1972-73.

Based on a review of the resumes of the 15 commissioners appointed by the Governor, the Auditor General believes that each of these members meet the prescribed general qualifications of Government Code Section 8753. Such qualifications are necessary for appointment to the commission. Further, the Auditor General believes that several of the commissioners far exceed the prescribed general qualifications.

Respectfully submitted,



VINCENT THOMAS, Chairman  
Joint Legislative Audit Committee

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INTRODUCTION

Pursuant to a Legislative request, we have reviewed the operations of the California Arts Commission. The commission was established by the Legislature in 1963:

"...to join with private patrons and with institutions and professional organizations concerned with the arts, to insure that the role of the arts in the life of our community will continue to grow and to play an ever more significant part in the welfare and educational experience of our citizens, and establish the paramount position of this state in the nation and in the world as a cultural center."

The commission may employ such personnel as are necessary for the performance of its powers and duties, and it may accept any gifts, donations, bequests or grants of funds from private and federal or other public agencies.

During fiscal year 1972-73, the commission, with an authorized staff of 12 positions, sponsored 25 projects at an estimated cost of \$275,527, including staff time and travel costs. General administrative expenses of the commission not related to specific projects were estimated at \$140,773.

FINDINGS

APPLICATION FOR AVAILABLE FEDERAL GRANT  
MONIES, WITH BUT ONE EXCEPTION, HAVE NOT BEEN MADE

In fiscal year 1972-73, the commission applied for and received from the National Endowment for the Arts (NEA) only one federal matching fund grant for \$127,250 under the Federal-State Partnership Program. This was the maximum amount the state was eligible for under this program. During that year, NEA awarded \$27.8 million in matching grants throughout the United States under various other NEA National Program Funds, for which the commission was eligible to apply. However, no such applications by the commission were made.

Under such matching grants, the state generally must provide at least 50 percent of the funds.

While we recognize that two other NEA grants amounting to \$66,635 were received by the commission in fiscal year 1972-73, such grants did not result from actions initiated by the commission but rather resulted from actions initiated by NEA.

It should be noted that in addition to the commission's regular receipts in fiscal year 1973-74, which could have been used for matching federal grants, the Legislature provided the commission with another \$951,000. These latter state funds can only be used for awarding matching grants to art groups in the state and cannot be used towards matching federal grants.

In fiscal year 1973-74, the commission again applied for and received a matching grant under NEA's Federal-State Partnership Program as well as receiving other NEA grants initiated by NEA.

During fiscal year 1972-73 and 1973-74, the commission advised artistic groups in the state seeking federal funds to request them from NEA in their own name without assistance of the commission.

In our judgment, the commission staff has not been aggressive in applying for available federal grant monies. Total budgeted funds and private contributions of cash and services provided the commission with over \$1 million in fiscal year 1972-73. It is conceivable that more aggressive action on the part of the commission staff might have resulted in over \$800,000 of additional federal grant monies in fiscal year 1972-73.

During fiscal year 1972-73, one position for an Assistant Arts Advisor was funded. However, no attempt was made by the commission to fill this position, and it was deleted under the provisions of Section 20 of the Budget Act. Such a position could have been used to more aggressively pursue additional federal grants.

The Executive Secretary of the commission stated that while there could have been numerous valid reasons as to why additional federal grant monies were not obtained in fiscal year 1972-73, he cannot speak with authority on this matter since he did not begin work for the commission until January 1974.

He further stated, however, that the commission has been reluctant to apply for grants which do not have statewide applicability and that most federal grant monies cover specific projects not having such statewide applicability.

We believe grants to the commission covering specific projects funded by federal monies are better than no grants at all. Such grants could serve to increase the approximately \$3 million that other art groups in California received from NEA grants in fiscal year 1972-73 without direct commission assistance.

The Chairman of the commission stated that up to the present time the commission has not applied for grants under any other NEA programs because the federal monies cannot be used for commission administration or program development costs in connection with the preparation of grant applications. He also stated that if the commission were to accept additional federal funds, it is likely that they would merely replace another California art group which would then not receive a federal grant.

In our judgment, the commission has a clear-cut responsibility to aggressively pursue available federal grant monies without regard to what some other jurisdictions may or may not do. It is the responsibility of the grantor, i.e., NEA, and not the grantee, i.e., the commission, to determine which art groups are more worthy of the grants.

Further, we believe that the previously deleted position of Assistant Arts Advisor, whose annual salary and fringe benefits are presently estimated at less than \$15,000, would be well worth the expenditure, considering the additional potential annual federal grant monies available.

#### RECOMMENDATION

We recommend that the commission request and fill one additional position of Assistant Arts Advisor in order that a more aggressive policy in requesting federal grant monies can be effected immediately.



SAVINGS

Implementation of this recommendation might result in an undetermined amount of additional federal grants for commission projects.

THE VALUE OF THE \$832,744 IN PRIVATE NON-CASH CONTRIBUTIONS HAS NOT BEEN ACCOUNTED FOR

In fiscal year 1972-73, the commission received \$832,744 in non-cash "private sector contributions", in addition to the total cash receipts of \$416,300 as reported in the Appendix. These non-cash items include clerical services, printing, paper, transportation of art objects, facilities for art exhibitions and performances, performances by professional artists, services of volunteers attending meetings and assisting with various commission-sponsored projects.

While the commission reported these non-cash contributions to the Legislature, the value of these items was never recorded in the commission's accounting records. Further, there is no documentation as to how values for these items were determined.

In view of the fact that the value of these non-cash items can serve as state matching funds to obtain federal grants, it is mandatory that the commission properly account for and document them.

RECOMMENDATION

We recommend that all private non-cash contributions be recorded in the commission's accounting records and that these records include documentation as to the basis for valuing the contributions.

THE COMMISSION ACCOUNTING SYSTEM DOES NOT REFLECT EXPENDITURES BY SPECIFIC PROJECTS WHICH COULD RESULT IN A FUTURE LOSS OF FEDERAL GRANT MONIES

The commission accounting system reflects expenditures on a line-item basis. This includes such expenditures as salaries, travel, etc.

While such records properly reflect the commission's total expenditures, they do not summarize how much was expended for a particular project.

As previously noted, substantial federal grant monies are available to the commission if it in turn provides matching state funds. Accounting for state expenditures by specific projects would clearly document that matching state funds have been expended for particular projects financed in part by federal grants.

The failure to account for expenditures on a project basis could result in the loss of future federal grants.

RECOMMENDATION

We recommend that the commission account for its expenditures by specific projects.

OPINION ON FINANCIAL STATEMENT

We have examined the accounts and related financial records of the California Arts Commission for fiscal year 1972-73. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the Statement of Receipts and Expenditures for fiscal year 1972-73, included in the Appendix, presents fairly the receipts and expenditures of the California Arts Commission for this fiscal year.

INFORMATION REQUESTED BY THE LEGISLATURE

The California Arts Commission is comprised of 19 members, including two Assemblymen and two Senators appointed by their respective houses. The remaining 15 members, appointed by the Governor to serve three-year terms, are to be private citizens widely known for their professional competence and experience in connection with the performing and visual arts. In 1970, the law was amended to allow students of the arts to be appointed to the commission also.

Government Code Section 8753 prescribes general qualifications for appointment to the California Arts Commission. We did not evaluate the qualifications of the four legislative members. Based on a review of the members' resumes, we believe that all of the present 15 members appointed by the Governor meet the prescribed qualifications. Further, we believe that several of the 15 commissioners exceed the prescribed general qualifications as evidenced by the following information noted in their resumes:

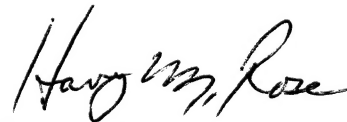
<u>Information Noted</u>	<u>Number of Commissioners</u>
Connected with the arts in a professional capacity	9
Nationally-recognized volunteer art leaders	5
Honored for their work in behalf of the arts by various art and civic groups	7

All 15 members appointed by the Governor have broad connection with the arts in volunteer service. At the present time, there are no students serving on the commission. However, several commissioners are active in school and youth groups.

The commission categorizes the art world into four areas:

- Performing arts - music, drama, dance, etc.
- Visual arts - painting, sculpturing, crafts, etc.
- Communications and Environmental arts - literature, films, T.V., etc.
- Art Councils and Special Programs - art councils, festivals, museums, multi-media art, etc.

The commission membership best represents the performing arts category. All 15 governor appointees lend their support in this area. Seven of the 15 members are active in the visual arts field. Professionally, two of the commissioners are involved in communications and environmental arts. Five work in art councils and special programs.



Harvey M. Rose  
Auditor General

March 26, 1974

Staff: Glen H. Merritt  
Robert M. Neves  
Nancy Lynn Szczepanik

CALIFORNIA ARTS COMMISSION  
STATEMENT OF RECEIPTS AND EXPENDITURES  
FISCAL YEAR 1972-1973

RECEIPTS

General Fund Appropriation		\$209,818
Federal Grants - National Endowment for the Arts (NEA)		
Federal-State Partnership Program Matching Grant	\$127,250	
Grants for NEA Initiated Projects	<u>66,635</u> a/	193,885
California Arts Commission Fund		
Cash Donations	\$ 12,600	
Royalty Income from Commission Films	320	
Adjustment to Receipts from Prior Year	<u>(323)</u>	<u>12,597</u>
Total Receipts		<u>\$416,300</u>

EXPENDITURES

Personal Services		
Salaries and Wages	\$124,901	
Staff Benefits	<u>15,570</u>	
Total - Personal Services		\$140,471
Operating Expense and Equipment		
General Expense	\$ 23,740	
Communications	24,226	
Travel - In State	23,334	
Travel - Out of State	1,019	
Rent	17,954	
Contract, Fiscal and Support Services	22,646	
Equipment	<u>666</u>	
Total - Operating Expense and Equipment		113,585
Program Expenses		<u>162,244</u>
Total Expenditures		<u>\$416,300</u>
Authorized Staff		<u>12</u>

a/ These non-matching funds were provided by NEA for two projects that the commission was requested by NEA to administer.